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IN THE MATTER OF THE COMPETITION IN THE) DOCKET NO. RE-
PROVISION OF THE ELECTRIC SERVICES) 0000-94-165
THROUGHOUT THE STATE OF ARIZONA) FORMERLY U-0000-94-165

REBUTTAL BY AL STERMAN AND BARBARA SHERMAN
ON BEHALF OF THE
ARIZONA CONSUMERS COUNCIL

The principal interest of the Arizona Consumers Council is the protection of residential, both rural and urban, low-income, and small business consumers in the state of Arizona. The public policy of the state of Arizona through its constitution and legislation has been the provision of safe, reliable electricity at reasonable rates based on prudent costs for resources that are used for the benefit of the general public. We see no reason to discontinue that policy even though generation of electricity is becoming competitive rather than regulated.

We believe it is the responsibility of the Arizona Corporation Commission and the Arizona Legislature to set forth rules and procedures that will insure consumer protection. Competition will benefit those it is structured to benefit. The task at hand is very important.

We believe that Richard Rosen's proposal for unbundling costs and then allocating stranded costs is the most reasonable. We still favor a bottoms-up approach. It is absolutely critical that all cost components be determined and then shared system-wide.

Given the efforts by some parties to avoid costs and to shift costs to residential and small business consumers, it is very important that the Arizona Corporation Commission fairly allocate stranded costs to all parties. It may be necessary under existing regulation to exclude present self-generators.

We have great concern about parties hiding behind the legal protections of contracts to avoid costs. All parties currently accepting electricity have some responsibility for the building of the generation plants and should not avoid stranded costs. If parties are allowed to escape paying fair share, whether it be the Arizona School Board Association or others, then the small consumers will

have to make up the difference. This cost shift would be blatantly unfair because small consumers are most at risk.

System benefit charges are predicated on system-wide sharing. No organization or entity should be exempt from paying these charges. As with stranded costs, every entity that would escape from these charges would mean higher costs for small consumers. It is precisely these small consumers who are at risk during this transition and even during competition.

We will not be redundant but please note the many individuals cited by both Arizona Community Action Association and RUCO in their briefs regarding the risks of competition to residential and small consumers. We believe that the Arizona Corporation Commission has an affirmative duty to protect these small customers. We compliment RUCO for their efforts to do help residential and other small consumers. We concur with both RUCO and the Arizona Community Action Association and the positions detailed in their briefs.

Regarding other critical issues that are important to small consumers:

We support a sharing of stranded costs between rate payers and stockholders as detailed in testimony by Dr. Mark Cooper.

We support a rate cap.

We oppose a rate freeze.

We oppose any double charges to standard offer and other consumers.

Standard offer consumers are and have been paying their fair share of stranded costs in regulated rates all along.

We oppose any framework that would allocate generation costs to regulated functions of electricity.

It is critical that stranded costs be quantified through a bottoms-up approach to see the impacts and to make sure that small consumers are not asked to pay more than their fair share.

We concur with Myron Scott and the Land and Water Fund regarding the importance of the Solar Portfolio.

We stress our concurrence with Dr. Mark Cooper. We believe that utilities and stockholders have been amply rewarded under regulation. We hope to see some benefit from competition besides new technology, i.e., reduced rates. While there is no guarantee, we ask that small consumers be held harmless.

Page 3, Arizona Consumers Council rebuttal, March 23, 1998

Once again, we thank you for your courtesies to us in the process of the evidentiary hearings. We will be happy to answer any questions you might have as you proceed on this important task.

The Service List for this document was received from RUCO for this docket. All copies have been delivered or mailed as of March 23, 1998.

Sincerely,

A handwritten signature in cursive script, appearing to read "Barbara Sherman". The signature is written in dark ink and is positioned above the typed name.

Barbara Sherman for Al Sterman
Arizona Consumers Council